

Minimum Conditions To Be Agreed To By the Joint Applicants For Merger Approval¹

1. Peoples Gas shall perform a thorough evaluation of the AMRP and scale the program to a level of cast iron/ductile iron replacement and related infrastructure upgrades that is manageable, targets high priority, high risk segments first, cost-effective, and minimizes the impact on customer rates.
2. Peoples Gas shall commit to a transparent process of providing annual reports to the Commission, reconciling its actual vs. forecasted AMRP investments, and provide an accounting of financial and non-financial benefits realized from the AMRP to date.
3. Peoples Gas will present to the Commission an annual, detailed, work plan for the remainder of the AMRP program that shows: (1) the planned infrastructure replacement segments for the upcoming 12-month period and their related cost; (2) the MRI of each planned targeted segment; (3) a list of the mains and other infrastructure that are still in need of replacement, along with their respective MRI ranking and projected cost to complete; (4) the total projected annual cost to complete the program and quantity of mains, services, meters and other infrastructure to be replaced and installed; (5) an explanation and detailed corrective action/implementation plan for improved coordination with the City of Chicago permit and public works activities; and (6) a detailed corrective action plan and status report for implementation of the approved final recommendations from the pending outside audit.
4. Peoples Gas shall credit customers for all construction fines and penalties paid from the beginning of 2011 to date to the City of Chicago, plus any fines and penalties incurred through the close of the merger, that were recovered in base rates or infrastructure riders. The credits could be flowed through PGL's Rider QIP during a single month or alternatively contributed by PGL to its "Share the Warmth" fund.
5. Going forward, Joint Applicants commit to excluding from rates any City of Chicago or other governmental unit fines and penalties associated with AMRP or other construction activity.
6. The Joint Applicants shall commit unconditionally to implement all audit recommendations of *both* the Interim and Final Liberty Consulting Group audit reports.
7. The Joint Applicants shall commit to fully cooperating with the Commission's investigation into allegations of misconduct and improprieties in the PGL AMRP (ICC Docket No. 15-0186), and implementing any corrective actions, including customer refunds of AMRP costs deemed imprudent by the Commission, as ordered by the Commission in that and any other docket related to review of the AMRP or PGL's Rider QIP.
8. The Joint Applicants shall commit to City of Chicago witness Cheaks's proposed conditions that are designed to revamp PGL's coordination with CDOT. They include:

¹ The People reserve the right to adopt additional conditions proposed in other parties' Initial Briefs in this case.

- Requiring a weekly, block-by-block schedule of construction activities be given to CDOT and the ICC, provided on a five-year, annual, and monthly basis.
- Requiring that any Field Order Authorizations or Change Orders be communicated within 24 hours to CDOT.
- Requiring the newly formed entity to actively participate in CDOT's dotMaps website in order to better collaborate with all occupants of the Public Way.
- Requiring that PGL improve their performance in the following categories, with financial penalties for failure to improve that cannot be recovered from PGL's ratepayers:
 - Permitted timeframe adherence (being on schedule more often);
 - Approved capital and O&M spend adherence (being on budget more often);
 - Change Order spending and communication;
 - Management Reserve spending and budgeting;
 - Time needed to close Field Order Authorizations and Change Orders; and
 - Contractor "Hits" on all City of Chicago facilities.

9. The Joint Applicants shall commit to a five-year PGL/NS rate freeze from the date of the close of the transaction.

10. The Joint Applicants shall file a (revenue-neutral) tariff to reduce the PGL/NS customer charges to cap residential heating customer revenue recovery through fixed charges to 40%.

11. WEC shall make a commitment to and propose enforceable ring-fence restrictions that limit its ability to require PGL/NS to make dividend payments, or any other cash transfer to WEC before its planned AMRP budgets are fully funded, and PGL/NS are able to achieve their goal of making AMRP investments, and improving the safety and reliability of their delivery service infrastructure.

12. The Joint Applicants shall acknowledge the reduction in costs resulting from the in-service of the ICE project (the cessation of the organizational readiness expenses and the 'hard benefits' in the form of other cost reductions) by crediting customers by means of a rider that would commence at the closing of the Transaction and would continue until the rates in the Gas Companies' next base rate case go into effect.

13. The Joint Applicants shall ensure that the difference in expense associated with actual full-time employee numbers ("FTEs") and the 1,953 FTEs the JA commit to retain in the State of Illinois for two years be returned to PGL/NS customers by means of a rider that would commence at the closing of the Transaction and would continue until the rates in the Gas Companies' next base rate case go into effect.

14. The Joint Applicants shall commit to prohibiting recovery in customer rates of any executive, Board of Director, or senior employee severance costs or early termination fees, (i.e. severance packages). Only merger transaction costs incurred in order to produce savings shall be permitted in rate recovery up to the level of savings created. The Joint Applicants shall have the

burden of proving that transition costs included in a future rate case test year achieve savings within the test year and over the life of the project that fully offset the level of transition costs.